EXHIBIT 1

IN THE CIRCUIT COURT FOR PRINCE GEORGE'S COUNTY, MARYLAND

JACQUELINE DOTSON, JANET OVERTON, MARION ROBINSON and MOJGAN THELEN, individually and on behalf of all others similarly situated Plaintiffs, v. BELL ATLANTIC - MARYLAND, INC. and MARYLAND PUBLIC SERVICE COMMISSION Defendants.	CASE NO. CAL 99-21004
FAUSTO SCROCCO, MOJAN, INC. and SYSNET, INC., individually and on behalf of all others similarly situated Plaintiffs, v. BELL ATLANTIC - MARYLAND, INC. and MARYLAND PUBLIC SERVICE COMMISSION Defendants.	CASE NO. CAL 00-09962

STIPULATION OF SETTLEMENT

Subject to approval of the Court pursuant to Rule 2-231(h) of the Maryland Rules of Civil Procedure, this Stipulation of Settlement is entered into among the Named Plaintiffs, Jacqueline Dotson, Janet Overton, Marion Robinson, Mojgan Thelen, Fausto Scrocco, Mojan, Inc., and Sysnet, Inc., both individually and as representatives of the Settlement Class hereinafter defined, and Defendants Bell Atlantic-Maryland, Inc. (now Verizon Maryland Inc.) and the Maryland Public

Service Commission, by and through their respective counsel, each of whom represents that he or she is authorized to execute this Stipulation on behalf of their clients.

I. RECITALS

WHEREAS:

1. On September 10, 1999, Plaintiffs Jacqueline Dotson, Janet Overton, Marion Robinson, and Mojgan Thelen filed a complaint in the Circuit Court for Prince George's County entitled *Dotson, et al. v. Bell Atlantic-Maryland Inc.*, No. CAL 99-21004, on behalf of an alleged class of residential customers of Bell Atlantic-Maryland, Inc. ("BA-MD"), alleging that BA-MD's late payment charge of 1.5% per month for overdue telephone bills was unlawful to the extent that it exceeded the 6% per annum limitation on interest set forth in Article III, Section 57 of the Maryland Constitution. The complaint sought: 1) a judicial declaration that the July 31, 1995 amendment to COMAR 20.30.03 issued by the Maryland Public Service Commission (the "PSC") violated Article III, Section 57 of the Maryland Constitution and therefore was invalid; 2) a permanent injunction against BA-MD's prospective assessment of late fees in excess of .5% per month or 6% per annum; 3) money damages and/or restitution against BA-MD for the amount of excessive interest and unlawful liquidated damages charged and collected by BA-MD from the class; and 4) prejudgment interest and/or disgorgement of profits received by BA-MD on the total amount of excessive late fees billed and collected from the class.

2. On September 20, 1999, Plaintiffs amended the *Dotson* complaint to name the Maryland Public Service Commission ("PSC") as a co-Defendant.

3. On December 1, 1999, BA-MD and the PSC moved to dismiss *Dotson* on the grounds that (1) BA-MD's tariffed late fee did not violate the Maryland Constitution because it was a rate approved by the PSC pursuant to that agency's delegated authority, that BA-MD was

QG
J

required to charge the tariffed late fee to late paying Maryland customers, and that BA-MD was entitled to rely on the filed tariff and its supporting PSC regulation; (2) BA-MD's residential late fee tariff was approved by the PSC in conjunction with offsetting rate reductions mandated by the PSC and therefore was "revenue neutral" to BA-MD and resulted in no unjust enrichment to BA-MD; (3) Count I alleging a common law claim for "restitution" failed to state a cause of action under Maryland law; and (4) the July 31, 1995 amendment to COMAR 20.30.03 was valid and legal under Maryland law and authorized the late fees in question.

4. Following full briefing on the *Dotson* Plaintiffs' motion for class certification, on January 28, 2000 the parties stipulated to class certification in *Dotson* under sections (b)(1) and (b)(2) of Maryland Rule 2-231. The stipulated class in *Dotson* (herein, the "*Dotson* Class") was defined as:

> "All persons (excluding the Trial Court Judge and members of his or her immediate family) who are current and/or former residential subscribers of telephone services provided by Bell Atlantic-Maryland, Inc. in the State of Maryland and who have paid to Bell Atlantic-Maryland, Inc. a late payment charge that exceeds six percent (6%) per annum, and who have made such payments within the applicable limitations period."

5. On January 31, 2000, the *Dotson* Class filed a motion for summary judgment seeking partial summary judgment on the issues of BA-MD's liability to the class, permanent injunctive relief against BA-MD's continuing assessment of late fees in excess of 1.5% per month, and declaratory judgment invalidating the PSC's July 31,1995 amendment to COMAR 20.30.03. While the Court was considering Defendants' motions to dismiss and the *Dotson* Class' motion for partial summary judgment on liability, the Maryland General Assembly

RG

enacted Chapter 59 of the Laws of Maryland, 2000 ("Chapter 59", subsequently codified at Section 13-1415 of the Commercial Law Article, Annotated Code of Maryland) which authorized telephone companies to charge late fees of up to 18% per annum subject to the satisfaction of certain conditions. Chapter 59 also contained provisions which purported to make the statute retroactive to contracts entered into and in existence after November 5, 1995. BA-MD supported the passage of Chapter 59 in the 2000 General Assembly session. Certain of the Named Plaintiffs and Settlement Class Counsel vigorously opposed the passage of Chapter 59 in the General Assembly. Once enacted by the General Assembly, Settlement Class Counsel, on behalf of the *Dotson* Class, requested that Governor Glendening veto the bill. Notwithstanding those efforts, the bill was enrolled and signed into law, with the retroactive provisions taking effect on June 1, 2000. BA-MD and the PSC both filed additional motions to dismiss *Dotson* based upon the retroactive application of Chapter 59, effective on June 1, 2000.

6. On March 30, 2000, the Court held a hearing on the parties' dispositive motions and cross motions. On May 9, 2000, the Court ruled on the Defendants' first pending motion to dismiss and the *Dotson* Class' pending motion for partial summary judgment and: (1) dismissed the *Dotson* Class' restitution claim in Count I; (2) denied the *Dotson* Class' motion for a permanent injunction against BA-MD's future collection of late fees in light of the passage of Chapter 59; (3) granted the *Dotson* Class' request for declaratory relief invalidating the PSC's July 31,1995 amendment to COMAR 20.30.03; (4) granted partial summary judgment in favor of the *Dotson* Class on BA-MD's liability under Count II alleging unjust enrichment; and (5) reserved the issue of class-wide damages in *Dotson* for further litigation. Both the *Dotson* Class and the Defendants subsequently sought reconsideration of the Court's May 9, 2000 summary judgment order. After full briefing on the issues presented, on June 19, 2000 the Court denied

PG
J

the *Dotson* Class' motion for reconsideration of the Court's May 9, 2000 summary judgment order to the extent that order dismissed Count I of the *Dotson* complaint. On July 27, 2000, the Court denied Defendants' motion for reconsideration of the Court's May 9, 2000 summary judgment order to the extent that order granted summary judgment in favor of the *Dotson* Class on Counts II and III of the *Dotson* complaint.

7. On April 21, 2000, Named Plaintiffs Fausto Scrocco, Mojan, Inc. and Sysnet, Inc. filed a separate action in the Circuit Court for Prince George's County entitled *Scrocco, et al. v. Bell Atlantic Maryland, Inc. and the Maryland Public Service Commission,* No. CAL 00-09962, which asserted substantially similar claims on behalf of a class of Maryland business customers who had paid late fees to BA-MD. As in *Dotson*, the allegations in the *Scrocco* complaint were that BA-MD's 1.5% monthly late fee imposed on its business customers violated the 6% per annum interest limitation set forth in Article III, Section 57 of the Maryland Constitution. As in *Dotson*, the *Scrocco* Plaintiffs sought recovery of all excessive late fees charged and collected by BA-MD, in addition to prejudgment interest and/or disgorgement of profits on the excessive fees collected.

8. On August 4, 2000, the *Dotson* Class filed a motion for partial summary judgment on the issue of damages, asking the Court to award class-wide damages, restitution, and prejudgment interest and enter a final judgment against BA-MD in favor of the *Dotson* Class.

9. On August 8, 2000, the Court held a hearing on separate motions to dismiss and/or stay the *Dotson* and *Scrocco* cases which had been filed by both Defendants based on the alleged retroactive application of Chapter 59 to these cases. Both the *Dotson* Class and the *Scrocco* Plaintiffs, through Class Counsel, argued that the retroactive provisions of Chapter 59 were unconstitutional both on their face, and as applied to the facts of these cases. Class Counsel

PG

arranged for Professor Michael Meyerson of the University of Baltimore School of Law to author and file an *amicus* brief on behalf of the Maryland Public Interest Research Group in support of Plaintiffs' position that the retroactive provisions of Chapter 59 were unconstitutional, null and void. At about the same time, the Maryland Chamber of Commerce filed an *amicus* brief in support of Defendants' position that the retroactive provisions of Chapter 59 statute were valid and constitutional.

10. On August 9, 2000, the Court declined to consider the issue of the constitutionality of the retroactive provisions of Chapter 59 due to the pendency of the same issue in an appeal arising from *Dua v. Comcast Cable of Maryland*, Case No. 3-C-99-002158, Circuit Court for Baltimore County (J. Byrnes). Instead, the Court elected to stay these cases pending a decision in the *Dua* appeal. The constitutional challenge to the retroactive application of Chapter 59 was decided by the Maryland Court of Appeals on August 29, 2002 when the Court issued its opinion in *Dua v. Comcast Cable of Maryland,* 370 Md. 604 (2002). In *Dua*, the Court of Appeals held that the retroactive portions of Chapter 59 violated Articles 19 and 24 of the Maryland Declaration of Rights and Article III, Section 40 of the Maryland Constitution. Class Counsel in this case also acted as co-counsel to the plaintiffs/appellants in the *Dua* appeal and participated heavily in the briefing, preparation and argument of the constitutional argument both in the Circuit Court and in the Maryland Court of Appeals.

11. On September 13, 2002, Defendant BA-MD filed a motion to decertify the class in *Dotson* and to refer any damages issues to the PSC pursuant to the Court of Appeals' decision in *Bell Atlantic of Maryland v. Intercom Systems Corp.,* 366 Md. 1 (2001). On October 4, 2002, the PSC joined in BA-MD's motion insofar as it sought referral of the classwide damages issue

to the PSC. On October 16, 2002, the *Dotson* Class filed their opposition to BA-MD's referral motion. On October 25, 2002, BA-MD filed its reply in support of its referral motion.

12. On October 15, 2002, BA-MD opposed the *Dotson* Class' motion for entry of final judgment and an award of restitution and damages on the ground, among others, that the PSC-mandated rate reductions ordered in connection with the PSC's approval of BA-MD's residential late fee tariff made the residential late fee "revenue neutral" to BA-MD thus substantially reducing, if not eliminating, any damages sustained by the *Dotson* class.

13. In light of the litigation risks and posture of these cases at that time, on December 9, 2002 the Named Plaintiffs and BA-MD signed an agreement to settle *Dotson* and *Scrocco* ("First Settlement"). The PSC did not oppose the First Settlement. In brief, the First Settlement was modeled on other settlements that had been accepted by other courts around the country and established a claims process by which individual class members could recover most of their individual damages by submitting a claim for one of three tiers of relief and BA-MD would pay all valid claims timely submitted, up to an aggregate cap of $51,900,000.00. In addition, the First Settlement provided for BA-MD to pay for the costs of class notice, claims administration, incentive awards to the Named Plaintiffs, and any attorneys' fees awarded by the Court to Class Counsel. In the First Settlement, all unclaimed settlement funds reverted to BA-MD. On December 16, 2002, the Honorable Graydon S. McKee preliminarily approved the First Settlement, as well as the form of notice and the notice plan and certified a settlement class of BA-MD residential and business customers pursuant to Maryland Rule 2-231(a) and (b)(3) (the "First Settlement Class"). Pursuant to Judge McKee's preliminary approval order, BA-MD provided direct mail notice to all of BA-MD's current customers through a bill insert and to

PG

former customers through publication in USA Today. The First Settlement also provided for website notice to the First Settlement Class.

14. Just prior to the scheduled hearing on final settlement approval, Judge McKee recused himself and these cases were reassigned to the Honorable Steven I. Platt. On April 11, 2003, Tamala Boyd and twelve (12) other individuals claiming to be members of the First Settlement Class (the "Boyd Objectors") filed objections to the First Settlement. The Boyd Objectors appeared in this litigation pursuant to a court approved notice that gave individual members of the First Settlement Class the right to appear and object to the First Settlement "on his/her/its own or through an attorney retained by them at their sole expense."

15. A hearing on the fairness of the First Settlement was held before Judge Platt on May 5, 2003. In an Opinion and Order of Court dated November 13, 2003, the Court denied final approval of the First Settlement without prejudice to the right of the parties to submit a new or amended settlement agreement, consistent with the reasoning set forth in the Court's November 13, 2003 opinion. Subsequently, the Court permitted the individual Boyd Objectors to intervene in this litigation.

16. There were no settlement discussions immediately following the Court's November 13, 2003 opinion. Rather, BA-MD's Counsel and Class Counsel proceeded to complete briefing on all pending motions, including BA-MD's motion to decertify the *Dotson* class or, alternatively, to refer the damages phase of the *Dotson* case to the PSC, the PSC's and BA-MD's respective motions to dismiss the *Scrocco* case, the *Dotson* Class' motion for partial summary judgment on the issue of damages sustained by the *Dotson* class, the *Scrocco* Plaintiffs' motion for certification of a statewide class of BA-MD business customers pursuant to Maryland Rule 2-231, and BA-MD's motion for reconsideration of the Court's September 24,

PG
Q

2002 order denying BA-MD's motion for leave to file an answer in *Dotson*. In addition, following the Court's November 13, 2003 opinion, on December 10, 2003 BA-MD filed a motion to enter judgment finalizing class relief and severing the attorneys' fee issue for separate determination, which motion was unopposed by the PSC but was opposed by the *Dotson* Class and the *Scrocco* Plaintiffs. On January 6, 2004, the *Scrocco* Plaintiffs filed a motion for partial summary judgment as to BA-MD's liability to the *Scrocco* class.

17. The Court conducted a hearing on January 16, 2004 on all pending motions with the exception of the *Scrocco* Plaintiffs' motion for partial summary judgment as to BA-MD's liability. At the conclusion of that hearing, the Court denied BA-MD's motion to decertify the *Dotson* class or, alternatively, to refer the damages phase of *Dotson* to the PSC, denied the Defendants' respective motions to dismiss the *Scrocco* action, denied BA-MD's motion to enter judgment finalizing class relief and severing attorneys' fees for separate determination, denied the *Dotson* Class' motion for partial summary judgment on damages, granted the *Scrocco* Plaintiffs' motion for class certification, and granted BA-MD's motion for reconsideration of the Court's September 24, 2002 order denying BA-MD's motion for leave to file an answer in *Dotson*. Thereafter, on February 10, 2004, the Court entered the form of class certification order that was submitted by the *Scrocco* Plaintiffs, certifying the *Scrocco* Class under Maryland Rule 2-231(a) and 2-231(b)(1) and (b)(2), and appointing Beins, Goldberg & Gleiberman as lead class counsel and McCarthy & Costello and Connie Kravotil Lavelle as co-class counsel for the *Scrocco* Class. In addition, during the January 16, 2004 hearing, the Court invited the PSC and BA-MD to file motions addressing Defendants' arguments concerning the PSC's primary jurisdiction over these Actions, and to do so in advance of any trial on damages.

18. The class certified by the Court in *Scrocco* (herein, the "*Scrocco* Class") was defined as:

> "All persons, corporations, limited liability companies, general partnerships, sole proprietorships, joint ventures, associations, organizations and other entities (excluding the Trial Court Judge and members of his immediate family and excluding all residential customers of Bell Atlantic-Maryland, Inc.) who are current and/or former business subscribers of telephone services provided by Bell Atlantic-Maryland, Inc. in the State of Maryland which have paid to Bell Atlantic-Maryland, Inc. a late payment fee or late charge during the time period April 21, 1997 through September 30, 2000."

19. Following the Court's rulings at the January 16, 2004 hearing, the parties completed briefing on the *Scrocco* Class' pending motion for partial summary judgment on BA-MD's liability to the *Scrocco* Class. Specifically, BA-MD filed an opposition to Plaintiffs' motion on January 21, 2004 and the *Scrocco* Class, through Class Counsel, filed a reply on March 5, 2004 and a supplemental reply, citing additional authorities, on March 22, 2004. On April 8, 2004, the *Scrocco* Class and Defendants BA-MD and the PSC filed with the Court a stipulation whereby the parties consented to waive any right to a hearing in connection with the *Scrocco* Class' partial summary judgment motion and agreed to allow the Court to rule based on the papers submitted. As of this date, the Court has not yet ruled on the *Scrocco* Class' motion for partial summary judgment on BA-MD's liability to the *Scrocco* Class.

20. A scheduling conference was held on April 2, 2004 in these consolidated matters. Thereafter, the Court issued a Scheduling Order on April 7, 2004 which established deadlines for

damages-related discovery and for dispositive motions, including Defendants' motions addressing their argument that the PSC has primary jurisdiction over these Actions. The Court also set a trial date in these consolidated actions for November 29, 2004 through December 10, 2004.

21. During the course of this litigation, Class Counsel has conducted substantial formal and informal discovery against both BA-MD and the PSC. That discovery has included the review of thousands of pages of documents produced by both BA-MD and the PSC, multiple rounds of interrogatories served on both BA-MD and the PSC, depositions of BA-MD's corporate designee to resolve disputed factual issues in the *Dotson* case concerning BA-MD's past practice of providing billing services for interexchange carriers such as AT&T and MCI/Worldcom, and review and inspection of the PSC's historical files and records concerning the issuance of the July 31, 1995 amendment to COMAR 20.30.03 (permitting telephone companies to charge late fees). Among other things, Class Counsel conducted a thorough investigation of the legislative history surrounding the passage of Section 7-305 of the Public Utility Companies Article (permitting gas and electric utilities to charge late fees) and the subsequent PSC hearings and regulatory procedures surrounding the PSC's promulgation of the original utility late fee regulation, COMAR 20.30.03, in 1976. In addition, Class Counsel conducted discovery to quantify the potential damages sustained by the *Dotson* Class and the *Scrocco* Class, and retained an expert to review BA-MD's records and render an opinion with respect to the potential damages in these cases. In several instances, it was necessary for Class Counsel to seek and obtain the Court's intervention to resolve discovery disputes with respect to the information sought by the *Dotson* Class.

PG

22. The parties subsequently agreed to a mediation of these consolidated cases before the Honorable John McAuliffe, retired Judge of the Maryland Court of Appeals. The Boyd Objectors were invited to participate, and did participate, in the mediation through their counsel. Prior to the mediation, the parties and the Boyd Objectors submitted detailed and confidential mediation briefs to Judge McAuliffe setting forth their respective positions and arguments regarding the various legal and factual issues in these cases. The mediation took place on April 8, 2004 and began at approximately 9:00 a.m. and concluded some time after 11:00 p.m. With the assistance of Judge McAuliffe, the *Dotson* Class and the *Scrocco* Class, as well as Defendants BA-MD and the PSC, through their respective attorneys, were able to reach an agreement in principle to settle these matters. The Boyd Objectors did not participate in the contested litigation of these cases, did not join in or support the agreement in principle to settle these cases reached at the mediation before Judge McAuliffe on April 8, 2004, and did not contribute either to achieving that agreement or to the drafting and implementation of this Stipulation of Settlement. The settlement negotiations, including the negotiations between Class Counsel and BA-MD's Counsel over the documentation of the agreed settlement, were arms length and hard fought. In the opinion of Class Counsel and counsel to BA-MD and the PSC, this Settlement represents an acceptable compromise of the settling parties' positions in both the *Dotson* and *Scrocco* actions and achieves substantial and relatively quick benefits for the Settlement Class that might not be obtained if the litigation were prosecuted to a final, non-appealable judgment.

23. BA-MD represents that it will seek the PSC's prior approval of the procedures for implementing potential *cy pres* distributions, if any, to Rate Base Customers set forth in Sections III(A)(7) and III(B)(3) below. Not later than five (5) days after the date of this

RG
JL

Stipulation, BA-MD will file an application pursuant to COMAR 20.07.04.12 seeking the PSC's prior approval of the procedures for implementing potential *cy pres* distributions to Rate Base Customers, which procedures are set forth in Sections III(A)(7) and Section III(B)(3) below, to ensure that the potential *cy pres* distribution method does not have any discriminatory or anti-competitive effect. Neither Class Plaintiffs nor the Settlement Class shall be a party to or participant in BA-MD's application to the PSC and all parties hereto acknowledge and agree that the PSC's consideration of the *cy pres* distribution procedures set forth in Sections III(A)(7) and III(B)(3) below shall be undertaken solely at the initiative of BA-MD. If (x) the PSC does not, for any reason, approve BA-MD's application as aforesaid on or prior to September 14, 2004 or (y) the PSC timely approves BA-MD's application pursuant to (x) above but, for any reason, there is an appeal from the PSC's approval of BA-MD's application, then within ten (10) days after the occurrence of either such event (such events being referred to herein collectively as "PSC Non-Approval Events") Class Plaintiffs and BA-MD shall file a motion with the Circuit Court for Prince George's County, Maryland informing the Court of the occurrence of the PSC Non-Approval Events and seeking the Court's approval of an alternative form of *cy pres* relief for the Settlement Class for which the PSC's prior approval shall not be required. The Court's disposition of such motion shall be final and binding on the parties hereto, and any alternative method of *cy pres* relief approved by the Court shall for all purposes substitute for the procedures set forth in Sections III(A)(7) and III(B)(3) below. The occurrence of any PSC Non-Approval Event shall not operate to terminate this Stipulation and shall not release the settling parties from their respective obligations hereunder, other than with respect to the *cy pres* distribution procedures contemplated by Sections III(A)(7) and III(B)(3) below which shall become void upon the Court's approval of an alternative *cy pres* procedure as aforesaid.

RG
A

24. Not later than thirty (30) days prior to the Final Fairness Hearing, the Settlement Class, BA-MD and the PSC will file a joint motion to vacate the Court's May 9, 2000 declaratory order invalidating the PSC's July 31, 1995 amendment to COMAR 20.30.03 ("May 9, 2000 Order"). The Court's consideration of such motion shall be contingent upon the Court's entry of an Order and Judgment substantially in the form of Exhibit B which, among other things, will dismiss with prejudice all claims in the *Dotson* and *Scrocco* actions. If the Court denies the parties' joint motion to vacate or declines for any reason to enter the proposed Order and Judgment in all material respects, then the PSC reserves the right to appeal the May 9, 2000 Order following the Court's entry of a final judgment order. Should the Court grant the parties' joint motion to vacate and enter the proposed Order and Judgment in all material respects, then the PSC covenants and agrees that it will not appeal from the May 9, 2000 Order or from the Order and Judgment entered by the Court, and the PSC hereby waives any right of appeal in connection with such orders. Subject to the Court's approval and entry of the proposed Order and Judgment in all material respects, the PSC acknowledges that this Settlement serves the best interests of all BA-MD's Maryland subscribers, including the Settlement Class.

25. Class Counsel, counsel to BA-MD, and counsel to the PSC have concluded that it is in the best interests of the Named Plaintiffs, the Settlement Class, and Defendants BA-MD and the PSC to avoid the substantial risk, delay and expense of further contested legal proceedings in these matters, and that the terms and conditions of this Stipulation are fair, reasonable, and adequate to the Settlement Class and in the best interests of both the Settlement Class and the Defendants, and accordingly have agreed to settle both *Dotson* and *Scrocco* pursuant to the terms and provisions set forth in this Stipulation.

26. The parties hereto will seek the Court's preliminary and final approval of the Settlement set forth in this Stipulation and, upon preliminary approval by the Court, to seek entry of the Implementing Order attached as Exhibit A hereto and, upon final approval by the Court, to seek entry of the Order and Judgment attached as Exhibit B and hereinafter described.

NOW, THEREFORE, THE PARTIES HERETO, THROUGH THEIR DULY AUTHORIZED COUNSEL, INTENDING TO BE LEGALLY BOUND HEREBY, STIPULATE AND AGREE, subject to the approval of the Court pursuant to Rule 2-231(h) of the Maryland Rules of Civil Procedure, that the above-captioned Actions shall be fully and finally settled and dismissed on the merits with prejudice and without costs, and BA-MD released and discharged, subject to the following terms and conditions:

II. DEFINITIONS

As used in this Stipulation and the related documents attached hereto as exhibits, which are incorporated herein by reference, the following terms shall have the meanings set forth below:

1. "Actions" means *Dotson, et al. v. Bell Atlantic -Maryland, Inc. et al*, filed on or about September 10, 1999 in the Circuit Court for Prince George's County, Case No. CAL 99-21004 and *Scrocco, et al v. Bell Atlantic Maryland Inc. et al.,* filed on or about April 21, 2000 in the Circuit Court for Prince George's County, Case No. CAL 00-09962.

2. "Administrator" or "Settlement Administrator" means GCG, Inc., an independent firm selected to administer this Settlement, to oversee and implement the Publication Notice, and to administer the claims procedure set forth herein. The Settlement Administrator shall report to Class Counsel and BA-MD's Counsel and shall provide written, monthly reports and such additional information as may be requested from time to time.

PG
d

3. "Authorized Claimant" means a Settlement Class Member (as defined herein) who submits a valid and timely Proof of Claim in the form attached as Annex 2 to Exhibit A.

4. "Claims Period" means the period commencing on the first date that Mail Notice and/or Publication Notice is provided pursuant to this Stipulation and ending on ***December 5, 2004***.

5. "Defendant" or "BA-MD" means Bell Atlantic-Maryland, Inc. (now known as Verizon Maryland Inc.). "Defendants" means, collectively, BA-MD and the Maryland Public Service Commission.

6. "Defendant's Counsel" or "BA-MD Counsel" means Ira Raphaelson, Esq., O'Melveny & Myers LLP, 1625 Eye Street, N.W., 10th Floor, Washington, D.C. 20006-4001, and Bruce Marcus, Esq., Marcus & Bonsib, Capital Office Park, 6411 Ivy Lane, Suite 116, Greenbelt, Maryland 20770.

7. "Effective Date of Settlement" or "Effective Date" means the first date on which all of the following events shall have occurred: (i) entry of the Implementing Order substantially in the form of Exhibit A, attached hereto; (ii) the dissemination of the Mail Notice, Publication Notice, Notice to First Settlement Claimants and Proof of Claim Form substantially in the form of Annexes 1-4 to Exhibit A, attached hereto; (iii) the close of the Claims Period; and (iv) entry of the Order and Judgment substantially in the form of Exhibit B, attached hereto, which Order and Judgment must be Final.

8. "Final" with respect to the Order and Judgment means: (i) if no appeal or review from the Order and Judgment is timely filed, thirty days after entry of the Order and Judgment pursuant to Rule 8-202(a) of the Maryland Rules of Appellate Procedure or (ii) if an appeal or review is timely sought from the Order and Judgment, the date after such Order and Judgment is

QG
d

affirmed by the appellate court or, alternatively, the date such appeal is dismissed and such Order and Judgment is no longer subject to further judicial review.

9. "First Settlement" means the Stipulation of Settlement agreed to by the Named Plaintiffs and BA-MD on December 9, 2002 and preliminarily approved by the Court on December 16, 2002, for which the Court denied final approval by its opinion and order issued on November 13, 2003. The First Settlement is of no further force or effect, except that BA-MD has agreed as part of this Settlement to honor and pay timely and valid claims previously submitted by Settlement Class Members under the First Settlement on the terms set forth below.

10. "Implementing Order" means an order, substantially in the form attached hereto as Exhibit A, entered by the Court providing, among other things, for preliminary approval of the proposed Settlement, certification of the Settlement Class, approval of the Mail Notice and Publication Notice and Website Notice, approval of the Notice to First Settlement Claimants, and scheduling of a Settlement Hearing.

11. "Late Fee" means the late payment charge of 1.5% per month for overdue telephone bills assessed by Defendant BA-MD on both its Maryland residential and business customers and paid by the Settlement Class during the Relevant Time Period.

12. "Mail Notice" means the Notice of Settlement Class Certification, Proposed Settlement and Settlement Hearing, and Proof of Claim which shall be distributed by bill insert in BA-MD's regular monthly billing sent to the last known address of each of BA-MD's current residential and business customers as of the date of mailing, a copy of which is attached hereto as Annex 1 and 2 to Exhibit A. Mail Notice shall be not less than ten point type, and shall be distributed by BA-MD during the month of ***August 2004*** and completed by BA-MD no later than ***September 2, 2004***.

13. "Named Plaintiffs", "Plaintiffs" or "Class Plaintiffs" means Jacqueline Dotson, Janet Overton, Marion Robinson, Mojgan Thelen, Fausto Scrocco, Mojan, Inc. and Sysnet, Inc., each of whom filed and prosecuted the Actions on their own behalf and on behalf of either the *Dotson* Class or the *Scrocco* Class, and who are being designated as representatives of the Settlement Class pursuant to the Implementing Order to be entered by the Court.

14. "Notice to First Settlement Claimants" means a separate mail notice which shall be sent by the Settlement Administrator to all Settlement Class Members who previously filed timely claims under the First Settlement, substantially in the form of Annex 4 to Exhibit A. The Notice to First Settlement Claimants shall be completed not later than thirty (30) days after preliminary approval of this Settlement and entry of the Implementing Order.

15. "Order and Judgment" means the order and judgment to be entered by the Court substantially in the form attached hereto as Exhibit B.

16. "Plaintiffs' Counsel", "Class Counsel" or "Settlement Class Counsel" means, collectively, John J. Beins, Esq., Seth D. Goldberg, Esq. and Paul D. Gleiberman, Esq. of Beins, Goldberg & Gleiberman, 5335 Wisconsin Avenue, N.W., Suite 440, Washington, D.C. 20015, Connie Kratovil Lavelle, Esq., P.O. Box 522, Stevensville, Maryland 21666, and Kevin J. McCarthy, Esq. of McCarthy & Costello, L.L.P., 4201 Northview Drive, Suite 410, Bowie, Maryland 20716. "Lead Class Counsel" means John J. Beins, Esq., Seth D. Goldberg, Esq. and Paul D. Gleiberman, Esq. of Beins, Goldberg & Gleiberman, 5335 Wisconsin Avenue, N.W., Suite 440, Washington, D.C. 20015.

17. "Proof of Claim" means the proof of claim form(s) substantially in the form attached hereto as Annex 2 to Exhibit A, to be submitted by Settlement Class Members to receive the benefits set forth in Section III(A)(2)-(4) of this Settlement, as approved by the

Court. To be valid, a Proof of Claim must: (1) be signed either (i) personally, if the Settlement Class Member is an individual, or (ii) by an owner, officer, or authorized agent if the Settlement Class Member is a business entity; (2) be timely mailed to the Administrator; (3) certify that the Settlement Class Member paid one (1) or more Late Fees to BA-MD during the Relevant Time Period; and (4) identify the account number(s) or telephone number(s) for each BA-MD account for which any Settlement Class Member paid one or more Late Fees to BA-MD during the Relevant Time Period. Those Settlement Class Members electing to receive a payment representing 60% of all Late Fees paid by such Settlement Class Member to BA-MD during the Relevant Time Period must specify the total amount of Late Fees paid during the Relevant Time Period and provide applicable Proof of Payment as defined herein.

18. "Proof of Payment" means (a) with respect to claims involving $50.00 or less in total Late Fees paid to BA-MD, a Settlement Class Member's statement under oath identifying the total amount of Late Fees paid to BA-MD by the Settlement Class Member during the Relevant Time Period OR (b) with respect to claims involving more than $50.00 in total Late Fees paid to BA-MD, either (i) two successive months' bills (where one bill reflects a Late Fee and the next bill shows that the previous bill was paid) or (ii) a bill and a check (where the check covers the full amount of the bill, including the Late Fee).

19. "Publication Notice" means the Notice of Settlement Class Certification and proposed Settlement Hearing, which shall be published in one (1) weekend edition of USA Today as well as two (2) successive weekend editions of the following publications (unless there is no weekend edition, in which case it will be published in the weekday editions): The Baltimore Sun, The Washington Post (Maryland edition), The Gazette Newspapers (Montgomery County, Prince George's County, Frederick County, Carroll County), The Capital,

QV

the Maryland Gazette, the Maryland Daily Record, and the Business Gazette, a copy of which is attached hereto as Annex 1 to Exhibit A.

20. "Rate Base Customer" or "Current Subscriber" means all existing Maryland residential and business subscribers of BA-MD's local telephone service as of the date of distribution of any unclaimed settlement funds as *cy pres* credits in accordance with Section III(A)(7) below.

21. "Released Claims" means all claims, demands, allegations, rights, liabilities or causes of action of every nature and description whatsoever, in law or in equity, arising during the Relevant Time Period, including any Unknown Claims, whether in contract, tort, equity or otherwise, whether or not concealed or hidden, asserted or unasserted, known or unknown, including without limitation all common law and state and federal statutory claims, by or on behalf of the Named Plaintiffs, and/or any Settlement Class Member, against any of the Released Persons that arise out of or relate to the billing and collection of Late Fees by BA-MD (now Verizon Maryland Inc.) within the State of Maryland, including without limitation any claims that were brought or could have been brought in the Actions.

22. "Released Persons" means BA-MD (now Verizon Maryland Inc.), its past and present subsidiaries, parents, affiliates, successors, predecessors, and insurers, and each of their respective present, retired and former officers, directors, shareholders, partners, members, employees, attorneys, advisors, investment advisors, underwriters, investment bankers, and accountants, and any person, firm, trust, corporation, officer, director, or other individual or entity in which BA-MD has or had a controlling interest or which is related to or affiliated with BA-MD and the legal representatives, agents, heirs, estates, predecessors and successors in interest, and assigns of BA-MD.

23. "Relevant Time Period" means (a) with respect to Settlement Class Members who are or were residential customers of BA-MD, the period commencing on January 1, 1996 and ending on (and including) September 30, 2000 and (b) with respect to Settlement Class Members who are or were business customers of BA-MD, the period commencing on May 1, 1996 and ending on (and including) September 30, 2000.

24. "Request for Exclusion" means a timely request for exclusion from this Settlement made by any Settlement Class Member to the Administrator pursuant to the instructions set forth in the Mail Notice, Publication Notice, and Website Notice. To be valid, a Request for Exclusion must: (1) be signed either (i) personally for those individuals included in the Settlement Class, or (ii) by an owner, officer or authorized agent of entities included in the Settlement Class; (2) be timely mailed to the Administrator; (3) set forth the person or entity's name, address, and BA-MD telephone number(s) or account number(s); and (4) certify under penalty of perjury that the person or entity paid one or more Late Fees to BA-MD during the Relevant Time Period.

25. "Settlement" means the settlement of the Actions contemplated by this Stipulation and the exhibits attached hereto, the Implementing Order, and the Order and Judgment.

26. "Settlement Class" means: (a) all current and former residential customers of BA-MD who paid one or more Late Fees to BA-MD from January 1, 1996 through and including September 30, 2000 and (b) all current and former business customers of BA-MD who paid one or more Late Fees to BA-MD from May 1, 1996 through and including September 30, 2000, excluding the trial court judge and any members of his or her immediate family.

27. "Settlement Class Member" means any person or entity within the Settlement Class that paid one or more Late Fees to BA-MD during the Relevant Time Period.

28. "Settlement Hearing" or "Final Fairness Hearing" means the hearing scheduled for November 15, 2004 or such other date that such fairness hearing may take place to be held by the Court to consider final approval of the Settlement pursuant to Rule 2-231(h) of the Maryland Rules of Civil Procedure.

29. "Unknown Claims" means any Released Claims which Named Plaintiffs or any Settlement Class Member does not know or suspect to exist in his, her, or its favor with respect to Late Fees paid to BA-MD which, if known by him, her, or it, might have affected his, her, or its decision to participate in, or object to, or seek exclusion from, this Settlement.

30. "Website Notice" shall mean the settlement website established and maintained by BA-MD, in coordination with Class Counsel, at www.latefeesettlement.com in the form attached as Annex 3 to Exhibit A. The settlement website will display (i) the electronic version of the Stipulation of Settlement, (ii) the exhibits hereto, including the Proof of Claim form, the Publication Notice, the Mail Notice and the Notice to First Settlement Claimants), (iii) the Implementing Order, and (iv) such other information as the parties may deem necessary or appropriate from time to time.

III. IMPLEMENTATION, SCOPE, AND EFFECT OF THE SETTLEMENT

By this Settlement, BA-MD shall pay to the Settlement Class cash consideration which shall not be less than Thirteen Million, Five Hundred Thousand Dollars ($13,500,000.00) and shall not exceed the sum of Fifty Two Million, Nine Hundred Thousand Dollars ($52,900,000.00), plus any attorneys' fees awarded by the Court pursuant to this Stipulation of Settlement. As set forth below, such cash consideration shall include the following payments by BA-MD: (1) payment of all valid and timely claims previously submitted by members of the First Settlement Class; (2) payment of all valid and timely claims made under this Settlement; (3)

RU

notice and settlement administration costs; and (4) a *cy pres* distribution to BA-MD's Rate Base Customers (on an equal basis in the form of a credit on their telephone bills) of the difference, if any, between (x) Thirteen Million, Five Hundred Thousand Dollars ($13,500,000.00) and (y) the total amount expended by BA-MD in connection with clauses (1), (2) and (3) above. This Settlement also provides, as further set forth below in Section III(B) below, that BA-MD shall pay any attorneys' fees and expenses awarded by the Court in these Actions up to Twelve Million, Five Hundred Thousand Dollars ($12,500,000.00), and, as further set forth in Section III(C) below, that BA-MD agrees to waive, and to forbear from exercising, any legal or equitable right that BA-MD has to recoup the cost of this Settlement (including the cost of litigating the Actions) by invoking the exogenous change provisions of the PSC's Order Number 73011 issued in *In the Matter of the Inquiry into Alternative Forms of Regulating Telephone Companies,* Case No. 8715, (1996) ("Price Cap Order").

A. <u>Settlement Consideration and Claims Procedures</u>.

1. By this Settlement, BA-MD shall pay to the Settlement Class cash consideration in accordance with the terms set forth herein to resolve the Released Claims, which cash consideration shall not be less than Thirteen Million, Five Hundred Thousand Dollars ($13,500,000.00) and shall not exceed the sum of Fifty Two Million, Nine Hundred Thousand Dollars ($52,900,000.00) plus any attorneys' fees and expenses awarded by the Court pursuant to this Stipulation of Settlement.

2. In addition, BA-MD represents that it previously expended approximately $675,000.00 in notice and administration costs ("First Settlement Notice Costs") in an attempt to notify members of the Settlement Class of the pendency of this litigation and of the terms and conditions of the First Settlement. As part of this Settlement, BA-MD has agreed to

"grandfather", *i.e.* honor and pay, all valid and timely claims previously submitted under the First Settlement. In order to inform claimants under the First Settlement of this special feature of this Settlement, and to minimize any confusion associated with the sending of a second notice required to implement the terms of this Settlement, the settling parties have agreed that, within thirty days after entry of the Implementing Order, the Settlement Administrator shall send the Notice to First Settlement Claimants which shall be substantially in the form of Annex 4 to Exhibit A. Settlement Class Members who previously submitted claims under the First Settlement shall not be required to submit a second claim under this Settlement in order to obtain the settlement benefits afforded hereunder, and their claims shall be handled and paid by BA-MD in accordance with the terms of this Stipulation of Settlement. However, Settlement Class Members who previously submitted claims under the First Settlement shall be afforded the right to object to or exclude themselves from this Settlement should they wish to do so. In the event Settlement Class Members having previously filed a claim under the First Settlement elect to exclude themselves from this Settlement, then the claim of such Settlement Class Member shall automatically be deemed null and void, and neither BA-MD nor the Settlement Administrator shall have any obligation to pay such claim. As set forth below, within sixty (60) days after the Effective Date, BA-MD will pay all valid and timely claims made by Settlement Class Members either in connection with the First Settlement or in connection with this Settlement provided, however, that only one valid Proof of Claim shall be honored and paid per each Settlement Class Member.

3. Any Settlement Class Member who submits a valid and timely Proof of Claim to the Settlement Administrator within the Claims Period, <u>without</u> Proof of Payment, shall

QG
K

automatically receive six dollars ($6.00) irrespective of the total amount of Late Fees paid by such Settlement Class Member to BA-MD during the Relevant Time Period.

4. Any Settlement Class Member who submits a valid Proof of Claim to the Settlement Administrator within the Claims Period, with Proof of Payment, shall receive sixty percent (60%) of all Late Fees paid by such Settlement Class Member to BA-MD during the Relevant Time Period.

5. On or before sixty (60) days after the Effective Date, BA-MD will pay all valid and timely Proofs of Claim submitted by Settlement Class Members to the Settlement Administrator during the Claims Period, including all valid and timely claims previously submitted by Settlement Class Members pursuant to the First Settlement, provided, however, that BA-MD's obligation to pay claims submitted hereunder shall not exceed the amount of Fifty One Million, Nine Hundred Thousand Dollars ($51,900,000.00). Those Settlement Class Members who are current customers of BA-MD and submit valid and timely Proofs of Claim shall receive payment of their claims by direct credit to their BA-MD telephone bill, with such credit to be separately identified as the "Late Fee Class Action Settlement Credit." Those Settlement Class Members who are former customers of BA-MD (including those Settlement Class Members who previously submitted claims under the First Settlement) and submit valid and timely Proofs of Claim shall receive payment by check sent by the Settlement Administrator to the mailing address designated on the Settlement Class Member's Proof of Claim submitted to the Settlement Administrator. BA-MD shall have no duty to provide copies of bills or billing information to Settlement Class Members under this Stipulation.

6. As part of the consideration described in Section III(A)(1) above, BA-MD shall pay the cost of Mail Notice, Publication Notice, Notice to First Settlement Claimants, and

Website Notice and shall pay the fees and expenses of the Settlement Administrator. Such expenses are expected to total approximately One Million Dollars ($1,000,000.00). BA-MD shall provide Class Counsel with an accounting for such expenditures not later than thirty (30) days prior to the Final Fairness Hearing.

7. In the event that the total amount of valid and timely Proofs of Claim, including those valid claims made under the First Settlement, is less than Fifty One Million, Nine Hundred Thousand Dollars ($51,900,000.00), then no later than ninety (90) days after the Effective Date BA-MD will distribute, as a *cy pres* benefit to its Rate Base Customers, a minimum amount equal to the difference between (x) $13,500,000.00 minus (y) the total cost of Mail Notice (BA-MD's actual costs of mail notice, *e.g.* excess postage, printing and costs of bill insertion), Publication Notice, Notice to First Settlement Claimants, Website Notice and the fees and expenses of the Settlement Administrator (but excluding the First Settlement Notice Costs), such amount to be distributed to the Rate Base Customers on an equal basis in the form of a credit on their BA-MD telephone bills ("Rate Base *Cy Pres* Credits") such credit to also be separately identified on the customer's bill as "Late Fee Class Action Settlement Credit." The cost of implementing this *cy pres* distribution to Rate Base Customers, including the cost of calculating and effecting the bill credits, shall be borne exclusively by BA-MD and will not reduce the Rate Base *Cy Pres* Credits. BA-MD will provide Class Counsel and the Court with a written accounting for the Rate Base *Cy Pres* Credits under this subparagraph within thirty (30) days after completion of said distribution. Such accounting shall include, among other information, (i) the total number of Rate Base Customers receiving the distribution, (ii) the total amount distributed, and (iii) the amount distributed to each Rate Base Customer.

B. Attorneys' Fees and Expenses.

1. Class Counsel have prosecuted these lawsuits on a contingent basis and have not received any payment of fees or reimbursement of their out of pocket costs and expenses since the inception of this litigation in September, 1999. Moreover, given the size of the Settlement Class, the substantial notice campaign being launched, and the significant number of anticipated claims and claim related disputes and questions, Class Counsel expects that they will need to devote substantial additional time to the administration of this Settlement after both preliminary approval and final approval of the Settlement. The additional time and expenses to be incurred by Class Counsel in connection with Settlement administration will be compensated by any fees and expenses approved by the Court at or following the Final Fairness Hearing. Prior to the Final Fairness Hearing, Class Counsel will petition the Court for approval of an award of not more than Twelve Million, Five Hundred Thousand Dollars ($12,500,000.00) in attorneys' fees and expenses pursuant to this Stipulation of Settlement. Class Counsel represents that their Class Counsel's fee petition shall be based on (i) a percentage of the total settlement benefits obtained for the Settlement Class, not to exceed one-third, and/or (ii) Class Counsel's lodestar with a reasonable risk multiplier, plus reimbursement of Class Counsel's costs and expenses. Defendants and Defendants' counsel covenant and agree not to oppose or comment on Class Counsel's fee and expense application in the trial court or in any appellate court, and Defendants further covenant and agree not to appeal from any order awarding attorneys' fees and expenses entered in connection with the Actions. The settling parties recognize that any award of attorneys' fees and expenses in connection with the Actions is in the sole discretion of the Court, but under no circumstance will BA-MD be required to pay an amount greater than $12,500,000.00 for all attorneys' fees and expenses awarded in these Actions. Class Counsel

agrees to indemnify BA-MD from and against any award of attorneys' fees and expenses awarded by the Court in connection with these Actions in excess of $12,500,000.00.

2. As part of their petition for attorneys' fees and expenses, Class Counsel may (but shall not be required to) request that a portion of their fee and expense award be donated to a charitable institution of their choice, and Defendants and Defendants' counsel agree not to oppose or comment on such a request and further agree not to oppose or comment on any proposed recipient of such donation recommended by Class Counsel to the Court.

3. In the event that the attorneys' fees and expenses awarded by the Court pursuant to this Stipulation (including the amount of any charitable donation designated by Class Counsel and approved by the Court pursuant to subparagraph (2) above) is less than $12,500,000.00, then BA-MD shall distribute the difference between (x) $12,500,000.00 and (y) the attorneys' fees and expenses awarded by the Court, to its Rate Base Customers on an equal basis in the form of a credit on their telephone bills. Said distribution, if applicable, will be effected in accordance with the provisions governing Rate Base *Cy Pres* Credits as set forth in Section III(A)(7) above.

4. In the event that no appeal is timely taken from the Order and Judgment, then within seven (7) days after the Effective Date BA-MD shall pay any attorneys' fees and expenses (including the amount of any charitable donation recommended by Class Counsel) awarded by the Court pursuant to this Stipulation, up to a maximum amount of $12,500,000.00. With respect to the amount of attorneys' fees and expenses awarded by the Court to Class Counsel, (including any charitable donations, if any, recommended by Class Counsel and approved by the Court), BA-MD will remit such amount by wire transfer of immediately available funds to the attorney trust account of Lead Class Counsel for distribution in the sole discretion of Lead Class Counsel.

5. Any order or proceedings relating to the amount of attorneys' fees and expenses, or any appeal from any order relating thereto or reversal or modification thereof shall not operate to terminate or cancel the Settlement or affect the releases provided herein as of the Effective Date. The Court's award of attorneys' fees and expenses pursuant to this Stipulation of Settlement will not affect the validity of any other provision of this Stipulation of Settlement.

C. Waiver of BA-MD's Right of Recoupment Under the Price Cap Order.

1. Throughout five years of contested litigation in these matters, BA-MD has maintained that it has the absolute right to recoup the entire cost of any judgment entered against BA-MD in this litigation, which cost might include the substantial cost of defending this litigation over the years, by petitioning the PSC for a rate increase under the exogenous change provision of the PSC's Order Number 73011, issued in *In the Matter of the Inquiry into Alternative Forms of Regulating Telephone Companies,* Case No. 8715 (1996) ("Price Cap Order").

2. Upon the Effective Date, BA-MD covenants and agrees to forebear from pursuing such recoupment right, as set forth in the Price Cap Order, and irrevocably waives, and agrees to forbear from exercising, any legal or equitable right that BA-MD has to recoup the cost of this Settlement by invoking the exogenous change provisions of the Price Cap Order.

3. Both BA-MD's Counsel and Class Counsel believe that BA-MD's binding agreement and covenant to forebear from pursuing its recoupment right under the Price Cap Order is of substantial value to the Settlement Class, over and above the substantial monetary benefits made available to the Settlement Class under this Settlement.

4. Partly as the result of this waiver and forbearance obtained on behalf of the Settlement Class (since many of BA-MD current residential and business customers are members

24

of the Settlement Class, having paid at least one late fee to BA-MD during the Relevant Time Period), the PSC hereby supports this Settlement as being in the best interests of both the Settlement Class and all of BA-MD's current residential and business subscribers within the State of Maryland.

D. Incentive Awards to the Named Plaintiffs.

1. BA-MD further agrees that, subject to approval of the Court, it will pay incentive awards in the amount of $500.00 to each of the Named Plaintiffs in the Actions. Such payments, if approved by the Court, will be made by check within seven (7) days after the Effective Date which checks shall be delivered by BA-MD to Class Counsel, except that Named Plaintiff Sysnet, Inc. will receive a $500.00 credit on its phone bill within seven (7) days after the Effective Date. Such payments will be made directly by BA-MD.

E. Verification of Claims.

1. Either party shall have the right, but not the obligation, to verify any Proof of Claim submitted to the Settlement Administrator that seeks a recovery in excess of $6.00 to determine the accuracy of the representations made therein by the claiming Settlement Class Member. Any objection by either party to a Proof of Claim must be asserted not later than thirty (30) days after the Effective Date. Such objection must be effected by issuance of a written notice by the objecting party to the non-objecting party ("Claim Rejection Notice") setting forth the basis for the proposed rejection of a Proof of Claim. In the event either BA-MD or Settlement Class Counsel issues a Claim Rejection Notice, the parties will consult in good faith to attempt to resolve the dispute, subject to the following parameters. In the event a Proof of Claim is submitted for an amount in excess of $50.00, accompanied by Proof of Payment in the form of bills and/or checks, and such Proof of Claim specifies an amount which is **less** than the

Rk

total amount of Late Fees actually reflected as paid in the Proof of Payment, then the Settlement Administrator shall be required to honor and pay the Proof of Claim as stated therein. In the event a Proof of Claim is submitted for an amount in excess of $50.00, accompanied by supporting Proof of Payment in the form of bills and/or checks, and the Proof of Claim indicates payment of an amount which is **more** than the total amount of Late Fees actually reflected in the supporting Proof of Payment, then the Settlement Administrator shall automatically reject such Proof of Claim on the basis of an overstatement of the claim and, in such event, shall send a check for $6.00 to the claiming Settlement Class Member regardless of whether such a claimant is a current or former BA-MD customer. A claimant receiving a $6.00 check from the Settlement Administrator because his/her/its claim has been rejected based on the conclusion that the claim was overstated shall have the right to: a) cash the $6.00 check in full and final satisfaction of his/her/its Proof of Claim, or b) apply to the Court for a final determination of his/her/its original Proof of Claim within thirty (30) days after such Claimant's receipt of notice (including the tender of $6.00 payment). Thereafter, the Court will make a final, binding, non-appealable determination of the Settlement Class Member's claim. Class Counsel and BA-MD's counsel shall provide each other with copies of any filings and/or correspondence between the Settlement Administrator and any Settlement Class Member in connection with this procedure. Class Counsel shall have the right, but not the obligation, to participate in any such judicial proceeding on behalf of the claiming Settlement Class Member.

F. Implementing Order.

Promptly after execution of this Stipulation, the Named Plaintiffs and BA-MD shall submit this Stipulation to the Court and shall jointly apply for the Court's entry of the

QY

Implementing Order and shall use their best efforts to obtain such order, which shall be substantially in the form of Exhibit A, including provisions:

1. Preliminarily approving the Settlement;

2. Certifying the Settlement Class under Maryland Rule of Civil Procedure 2-231(a) and (b)(3) for settlement purposes only. BA-MD's request for settlement class certification in connection with implementing this Stipulation cannot be deemed an admission by BA-MD that class certification for litigation purposes was or is proper.

3. Approving the Mail Notice, Publication Notice, Website Notice, Notice to First Settlement Claimants, and Proof of Claim substantially in the forms of Annexes 1, 2, 3 and 4 to Exhibit A hereto, and directing that (a) the Mail Notice shall be distributed by BA-MD during the month of ***August 2004*** and completed by BA-MD by ***September 2, 2004***; and (b) that the Publication Notice be published within sixty (60) days after the Court's entry of the Implementing Order and that Website Notice be posted within thirty (30) days after the Court's entry of the Implementing Order and maintained throughout the Claims Period and until the Effective Date.

4. Finding that, pursuant to Maryland Rules 2-231(e) and 2-231(f)(2), the dissemination of the Mail Notice, Publication Notice, Notice to First Settlement Claimants and Website Notice herein constitutes the best practicable notice to the Settlement Class under the circumstances, and satisfies the requirements of due process and the Maryland Rules of Civil Procedure with regard to notice.

5. Providing that Settlement Class Members who wish to receive the Settlement benefits described in this Stipulation shall complete and file with the Settlement Administrator a valid Proof of Claim on or before the end of the Claims Period.

6. Directing that, at least ten (10) days prior to the Final Fairness Hearing, BA-MD and Class Counsel shall file affidavits with the Court confirming that the required Mail Notice, Publication Notice, Website Notice and Notice to First Settlement Claimants have, in fact, been made;

7. Scheduling a Final Fairness Hearing to be held by the Court on November 15, 2004 to determine whether the Settlement is fair, reasonable, and adequate, to enter the Order and Judgment substantially in the form of Exhibit B, to award attorneys' fees and expenses to Class Counsel, and to address any other matters that the Court deems appropriate.

8. Providing that any Settlement Class Member who intends to object to the fairness of the Settlement must file their objection with the Court not later than ***October 14, 2004***. Any Settlement Class Member who wishes to object to the Settlement must provide the following information in his, her, or its written and signed objection: 1) the Settlement Class Member's full name, address, BA-MD account number(s), and current or former telephone number; 2) a statement under oath that such objector is a Settlement Class Member and that the facts set forth in the objection are true and accurate based on such objector's personal knowledge and under penalty of perjury; and 3) supporting papers including a detailed statement of the specific objections made, and the basis therefore, which papers shall be served by first class mail to Lead Class Counsel and to BA-MD's Counsel at the following addresses:

Lead Class Counsel:

Beins, Goldberg & Gleiberman
5335 Wisconsin Avenue, Suite 440
Washington, D.C. 20015

Attention: Seth D. Goldberg, Esq.

BA-MD's Counsel:

QV

O'Melveny & Myers LLP
1625 Eye Street, N.W., 10th Floor
Washington, D.C. 20006

Attention: Ira Raphaelson, Esq.

Any Settlement Class Member who wishes to object to the proposed Settlement shall have the right to retain separate counsel, other than Class Counsel, to appear on their behalf at the preliminary approval hearing and/or Final Fairness Hearing and/or on appeal, provided, however, that all fees and expenses of such objecting Settlement Class Members, including their attorneys' fees and expenses, shall be borne exclusively by such objecting Settlement Class Members and shall not be borne by the rest of the Settlement Class, by Class Counsel, or by BA-MD.

9. Providing that any person and/or entity may be excluded from the Settlement Class by mailing to the Settlement Administrator, pursuant to the instructions set forth in the Mail Notice, Publication Notice and Website Notice, a timely and valid Request for Exclusion which must be postmarked on or before ***October 14, 2004***, and providing further that any person and/or entity who properly files with the Settlement Administrator a Request for Exclusion shall have no right to receive benefits under the Settlement or to object to the Settlement at the Final Fairness Hearing, shall not be deemed a party to the Actions, shall not be bound by the Order and Judgment, and shall retain all rights such person has (if any exist) with respect to the Released Claims. In accordance with Maryland Rule 2-231(g), the final Order and Judgment entered by the Court will specifically identify those persons and/or entities who elect to opt-out of the Settlement pursuant to Maryland Rule 2-231(b)(3).

10. Providing that the Settlement Administrator shall provide to Settlement Class Counsel and to BA-MD, not later than ***October 21, 2004***, a written list in accessible electronic

CY

format of all persons and/or entities who have delivered valid and timely Requests for Exclusion to the Settlement Administrator including the names and addresses and other relevant information for all such persons.

11. Providing that, upon the Effective Date, all Settlement Class Members for themselves, their legal representatives, heirs, successors, predecessors, assigns and devisees, whether or not they file a timely and valid Proof of Claim with the Administrator, shall be barred forever from asserting any Released Claim, and by operation of the Order and Judgment any such Settlement Class Member shall be conclusively deemed to have fully and finally released BA-MD and the Released Persons from the Released Claims.

12. Providing that the Final Fairness Hearing, from time to time and without further notice to the Settlement Class, may be continued by Order of the Court.

G. <u>Order and Judgment</u>.

Not later than twenty five (25) days prior to the Final Fairness Hearing, the settling parties shall jointly move for the Court's final approval of this Settlement, and agree to use their best efforts to obtain such approval. If any person or entity appeals from the Court's entry of an order finally approving this Settlement, the settling parties will use their best efforts to support this Settlement and defeat such appeal in any appellate court having jurisdiction over such appeal, except that BA-MD shall take no position on appeal with respect to any issue relating to the Court's award of attorneys' fees and expenses if such award is consistent with Section III(B) above.

Upon final approval by the Court of the Settlement contemplated by this Stipulation, an Order and Judgment substantially in the form attached hereto as Exhibit B shall be entered by the Court which shall, among other things:

QG
A

1. Approve the Settlement as fair, reasonable, and adequate to the Settlement Class;

2. Dismiss the Actions in their entirety with prejudice and without costs (other than those costs and expenses agreed to be paid by BA-MD pursuant to this Settlement), and adjudge that the Settlement Class Members who do not file a valid and timely Request for Exclusion shall be conclusively deemed to have fully and finally released BA-MD and the Released Persons from any and all Released Claims;

3. Award attorneys' fees and reimbursement of expenses to Class Counsel as per this Stipulation;

4. Reserve jurisdiction, without affecting the finality of the Order and Judgment entered, over (i) implementation of this Settlement; including distribution of the Settlement benefits described herein; (ii) enforcing and administering this Stipulation, including any releases in connection therewith; and (iii) any other matters related or ancillary to the foregoing.

H. <u>Releases</u>.

1. Upon the Effective Date, the Named Plaintiffs and Settlement Class Members, who do not file a valid and timely Request for Exclusion, for themselves and their heirs, successors, assigns, agents, representatives, executors, and administrators, past or present subsidiaries, parents, affiliates, and each of their present or former officers, directors, shareholders, employees or attorneys shall be deemed to have, and by operation of the Order and Judgment shall have, fully, finally and forever released, relinquished and discharged all Released Claims against BA-MD and the Released Persons, or any of them, whether or not such Settlement Class Member executes and delivers a Proof of Claim to the Administrator.

I. Disapproval, Cancellation, or Termination of Settlement.

1. If the Court does not preliminarily approve the Settlement and enter the Implementing Order substantially in the form of Exhibit A hereto or does not finally approve the Settlement and enter the Order and Judgment substantially in the form of Exhibit B hereto or, if on appeal said orders or judgment are modified or reversed, or, if the Effective Date of Settlement does not occur for any reason, or if any material term of this Settlement is not approved by the Court or is reversed on appeal, the Named Plaintiffs and BA-MD shall each have the right to terminate the Settlement and this Stipulation by providing written notice ("Termination Notice") to the other party's counsel within thirty (30) days after (a) the Court's declining to enter the Implementing Order in any material respect; (b) the Court's declining to approve this Stipulation or any material part of it; (c) the Court's declining to enter the Order and Judgment in any material respect; or (d) the date upon which the Order and Judgment is modified or reversed in any material respect by any court of competent jurisdiction. Termination Notice shall be provided by hand delivery or by first class mail <u>and</u> certified mail-return receipt requested as follows:

If to Lead Class Counsel:

Beins, Goldberg & Gleiberman
5335 Wisconsin Avenue
Washington, D.C. 20015

Attention: Seth D. Goldberg, Esq.

If to BA-MD's Counsel:

O'Melveny & Myers LLP
1625 Eye Street, N.W., 10th Floor
Washington, D.C. 20006

Attention: Ira Raphaelson, Esq.

RG

2. BA-MD may elect to terminate this Settlement in the event that more than twenty five thousand (25,000) Settlement Class Members validly and timely elect to exclude themselves from the Settlement Class pursuant to the requirements for such exclusion set forth in the Implementing Order, attached hereto as Exhibit A, and in the Mail Notice, Publication Notice, and Website Notice, attached as Annexes 1, 2 and 3 to Exhibit A. BA-MD's election to terminate this Settlement pursuant to this Paragraph must be made in writing and delivered to Settlement Class Counsel prior to November 4, 2004.

3. The PSC joins in this Settlement on the express conditions set forth in Paragraphs 23 and 24 of the Recitals and BA-MD's waiver of, and agreement to forbear from exercising, its right of recoupment under the Price Cap Order, and expressly states that this Settlement is in the best interests of all BA-MD's Maryland residential and business subscribers. Subject to the Court's final approval of this Settlement and entry of the Order and Judgment, the PSC covenants and agrees not to appeal from the Order and Judgment.

4. If the Effective Date does not occur, or if this Stipulation is terminated pursuant to its terms, this Stipulation and all negotiations and proceedings relating hereto shall be without prejudice to the rights of the parties, and the parties to this Stipulation shall be deemed to have reverted to their respective status in the Actions as of the date and time immediately prior to the execution of this Stipulation, in which case the parties shall stand in the same position and shall proceed in all respects as if this Stipulation and any related orders had never been executed.

J. <u>No Admission of Wrongdoing</u>.

This Stipulation and the Settlement it reflects, whether or not consummated, and any negotiations and any proceedings relating thereto:

PG
JK

1. Shall not be offered or received or used against Named Plaintiffs, BA-MD, the PSC, or any other Released Person as evidence of or construed as or deemed to be evidence of any presumption, concession, or admission by Named Plaintiffs, BA-MD, or other Released Persons of the truth of any fact, matter or proposition of law alleged by the Named Plaintiffs, BA-MD, or the Settlement Class (whether in pleadings or other papers filed herein, including motion papers concerning class certification), or the validity of any claim that has been or could have been asserted in the Actions or in any litigation, or of any liability, negligence, fault, or wrongdoing of BA-MD, the PSC, or any other Released Persons;

2. Shall not be offered or received against Named Plaintiffs, BA-MD, the PSC, or any other Released Person as evidence of a presumption, concession or admission of any fact, matter, proposition of law, fault, misrepresentation or omission with respect to any statement or written document approved or made by Named Plaintiffs, BA-MD, the PSC, or any other Released Persons.

3. Shall not be offered or received against BA-MD, the PSC, or any other Released Person as evidence of a presumption, concession or admission of any liability, negligence, fault or wrongdoing, or in any way referred to for any other reason as against any of the parties to this Stipulation, in this Action or any other civil, criminal or administrative action or proceeding, other than such proceedings as may be necessary to effectuate the provisions of this Stipulation; provided, however, that if this Stipulation is approved by the Court and a final non-appealable Order and Judgment is entered and the Effective Date takes place, then BA-MD and other Released Persons may refer to it to establish *res judicata,* collateral estoppel, issue or claim preclusion, good faith settlement, or other similar defenses to any future claims asserted by Settlement Class Members against BA-MD; and

4. Shall not be construed against BA-MD, the PSC, any other Released Person, or the Named Plaintiffs, their respective counsel or the Settlement Class as an admission or concession that the consideration to be given hereunder represents the relief, which could be or would have been awarded or recovered after trial.

K. Escrow of Settlement Funds.

1. In the event that an appeal is timely taken from the Order and Judgment, BA-MD will deposit in escrow an amount equal to the greater of (X) the sum of (i) the total amount of claims submitted to the Settlement Administrator within the Claims Period plus (ii) \$12,500,000.00 or (Y) the difference between (i) Twenty Six Million Dollars (\$26,000,000.00) minus (ii) the total cost of Mail Notice (BA-MD's actual cost of mail notice, *e.g.*, excess postage, printing and bill insertion costs), Publication Notice, Notice to First Settlement Claimants, Website Notice, and claims administration expenses paid to the Settlement Administrator (but excluding the First Settlement Notice Costs). Such escrow account, if applicable, shall be established at a reputable, insured financial institution within ten (10) days after BA-MD's receipt of the notice of appeal. The financial institution holding the escrow account shall be selected by Class Counsel, in advance of the Settlement Hearing, subject to approval by BA-MD. Interest on the escrow account will accrue for the benefit of the beneficiaries of the escrow account. If this Stipulation is terminated or the Court disapproves the Settlement for any reason, the amounts deposited in escrow will be returned to BA-MD, including any interest thereon.

IV. MISCELLANEOUS PROVISIONS

1. All of the exhibits and annexes attached hereto are hereby incorporated by reference as though fully set forth herein.

PG

2. BA-MD agrees to cooperate with the Settlement Class and with Class Counsel in connection with the implementation of the terms of this Settlement, and undertakes to perform such further acts, and to execute such further documentation, as may reasonably be necessary or appropriate to effectuate this Settlement.

3. The parties agree that the Mail Notice, Publication Notice, Notice to First Settlement Claimants and Website Notice will direct Settlement Class Members to contact Class Counsel with settlement-related questions and not to otherwise contact representatives of BA-MD, the PSC or the Court.

4. The parties to this Stipulation intend this Settlement to be a full, final, and complete resolution of all disputes asserted or which could be asserted by the Named Plaintiffs, the Settlement Class, and all Settlement Class Members against the Released Persons or any of them with respect to the Released Claims. Accordingly, the settling parties agree not to assert in any court or other forum that this litigation was brought or defended in bad faith or without reasonable basis. The settling parties agree that the terms of this Settlement were negotiated at arms' length in good faith by the parties, and reflect a settlement that was reached voluntarily after consultation with experienced legal counsel.

5. This Stipulation and its exhibits may not be modified or amended, nor may any of its provisions be waived, except by a writing signed by all parties hereto or their successors-in-interest making specific reference to this Stipulation.

6. The headings herein are used for the purpose of convenience only and are not meant to have legal effect.

7. The waiver by one party of a specific breach of this Stipulation by any other party shall not be deemed a waiver of any other prior or subsequent breaches of this Stipulation.

8. This Stipulation and its exhibits constitute the entire agreement as between the Named Plaintiffs, the Settlement Class, BA-MD and the PSC concerning the subject matter hereof and supersede all previous agreements, understandings and/or communications, whether oral or written (including, without limitation, any e-mail correspondence), between the settling parties with respect to the subject matter of this Stipulation or the settlement of the Actions as contemplated hereby.

9. This Stipulation shall not be construed more strictly against one party than another merely by virtue of the fact that it, or any part of it, may have been prepared by counsel for one of the parties, it being recognized that the Stipulation is the result of arms' length negotiations between the parties and all parties have contributed substantially and materially to the preparation of this Stipulation.

10. All parties recognize and acknowledge that the litigation is being voluntarily settled upon advice of counsel, and that the terms of the Settlement are fair, reasonable, and adequate in the opinion of Class Counsel, BA-MD's Counsel, and counsel to the PSC. The parties further represent that their respective counsel are each authorized to sign this Stipulation and the Stipulation includes and incorporates by reference the attached Exhibits A (including Annexes 1-4) and B. The parties further represent that they have completely read the terms of this Stipulation and have had the opportunity to inquire of their respective counsel about these terms, and that these terms are understood and voluntarily accepted by the parties.

11. This Stipulation may be executed in one or more counterparts. All executed counterparts and each of them shall be deemed to be one and the same instrument provided that counsel for the parties to this Stipulation shall exchange among themselves original signed counterparts.

12. This Stipulation shall be binding upon, and inure to the benefit of, the parties hereto, their parent (if any), subsidiary (if any), and affiliated corporations, and their successors and assigns, and each of their officers, directors, stockholders, employees, agents, representatives, counsel, and attorneys and their respective heirs, executors, administrators, representatives, successors, and assigns. This Stipulation of Settlement is intended to confer rights and obligations only upon the parties to this Stipulation of Settlement and their respective counsel. Nothing in this Stipulation is intended to give, or shall be construed as giving, rights to any non-signatory or to any party to the Actions other than the Named Plaintiffs, the Settlement Class, BA-MD, the PSC and their respective counsel.

13. Nothing in this Stipulation or in the Settlement of these Actions shall be construed as either expanding or limiting the legal relationship between BA-MD and its Maryland residential or business subscribers except as explicitly set forth herein.

14. The construction, interpretation, operation, effect, and validity of this Stipulation, and all documents necessary to effectuate it, shall be governed by the laws of the State of Maryland (without reference to choice of law principles) in effect as of the date hereof.

Jacqueline Dotson, Janet Overton,
Marion Robinson, Mojgan Thelen,
Fausto Scrocco, Mojan, Inc.,
and Sysnet, Inc.,
By their Attorneys

Paul Gleiberman

John J. Beins, Esquire
Seth D. Goldberg, Esquire
Paul D. Gleiberman, Esquire
Beins, Goldberg & Gleiberman

BELL ATLANTIC-MARYLAND, INC.
By its Attorneys

Ira H. Raphaelson, Esquire
O'Melveny & Myers LLP
1625 Eye Street, N.W.
10th Floor

5335 Wisconsin Avenue, N.W., Suite 440
Washington, D.C. 20015

Connie Kratovil Lavelle, Esquire
Kratovil & Kratovil
P.O. Box 522
Stevensville, Maryland 21666

Kevin J. McCarthy, Esquire
McCarthy & Costello, L.L.P.
4201 Northview Drive, Suite 410
Bowie, Maryland 20716-2668

Attorneys for Named Plaintiffs and the Settlement Class

Dated:

Washington, D.C. 20004-1109

Bruce L. Marcus, Esquire
Marcus & Bonsib
Capital Office Park
6411 Ivy Lane, Suite 116
Greenbelt, Maryland 20770

Attorneys for Defendant BA-MD

Dated: 6/1/04

MARYLAND PUBLIC SERVICE COMM'N
By its Attorney

____

Susan Stevens Miller, Esquire
General Counsel
Maryland Public Service Commission
6 Saint Paul Street
Baltimore, Maryland 21202-6806

Attorney for Defendant PSC

Dated:

PG

John J. Beins, Esquire
Seth D. Goldberg, Esquire
Paul D. Gleiberman, Esquire
Beins, Goldberg & Gleiberman
5335 Wisconsin Avenue, N.W., Suite 440
Washington, D.C. 20015

Connie Kratovil Lavelle, Esquire
Kratovil & Kratovil
P.O. Box 522
Stevensville, Maryland 21666

Kevin J. McCarthy, Esquire
McCarthy & Costello, L.L.P.
4201 Northview Drive, Suite 410
Bowie, Maryland 20716-2668

Attorneys for Named Plaintiffs and the Settlement Class

Dated:

Ira H. Raphaelson, Esquire
O'Melveny & Myers LLP
1625 Eye Street, N.W.
10th Floor
Washington, D.C. 20004-1109

Bruce L. Marcus, Esquire
Marcus & Bonsib
Capital Office Park
6411 Ivy Lane, Suite 116
Greenbelt, Maryland 20770

Attorneys for Defendant BA-MD

Dated:

MARYLAND PUBLIC SERVICE COMM'N
By its Attorney

Susan Stevens Miller

Susan Stevens Miller, Esquire
General Counsel
Maryland Public Service Commission
6 Saint Paul Street
Baltimore, Maryland 21202-6806

Attorney for Defendant PSC

Dated: June 1, 2004